



**COUNTY OF LOS ANGELES  
DEPARTMENT OF AUDITOR-CONTROLLER**

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June 9, 2009

TO: Supervisor Don Knabe, Chairman  
Supervisor Gloria Molina  
Supervisor Mark Ridley-Thomas  
Supervisor Zev Yaroslavsky  
Supervisor Michael D. Antonovich

FROM:

Wendy L. Watanabe  
Auditor-Controller

SUBJECT: **LOS ANGELES COUNTY OFFICE OF EDUCATION CONTRACT  
REVIEW – A COMMUNITY AND SENIOR SERVICES WORKFORCE  
INVESTMENT ACT PROGRAM PROVIDER – FISCAL YEAR 2008-09**

We completed a program, fiscal and administrative contract compliance review of Los Angeles County Office of Education (LACOE or Agency), a Community and Senior Services (CSS) Workforce Investment Act (WIA) Program provider.

**Background**

CSS contracts with LACOE, a regional education agency, to provide and operate the WIA Youth Program. The WIA Youth Program is a comprehensive training and employment program for in-school and out-of-school youth ages 14 to 21 years old. LACOE serves participants residing in the First, Second, Third and Fifth Districts.

LACOE is compensated on a cost reimbursement basis and has a contract for \$932,000 for Fiscal Year 2008-09.

**Purpose/Methodology**

The purpose of our review was to determine whether LACOE complied with its contract terms and appropriately accounted for and spent WIA funds in providing the services outlined in their County contract. We also evaluated the adequacy of the Agency's accounting records, internal controls and compliance with federal, State and County guidelines. In addition, we interviewed a number of the Agency's staff.

### **Results of Review**

LACOE provided the program services to eligible participants and maintained sufficient internal controls over its business operations. However, LACOE:

- Did not meet all the planned performance outcomes, as required by the County contract.
- Billed CSS \$1,511 for an out-of-town conference without obtaining prior written authorization from CSS as required by the County contract.
- Billed CSS \$2,100 in supportive service expenditures and categorized it as travel expenditures. The supportive services expenditures were not an approved item on LACOE's FY 2007-08 budget.

Subsequent to our review, CSS retroactively approved LACOE's conference expenditure and travel budget modification.

Details of our review, along with recommendations for corrective action, are attached.

### **Review of Report**

We discussed our report with LACOE and CSS on March 5, 2009. In their attached response, LACOE concurred with our findings and recommendations. CSS will follow up to ensure the Agency implemented our recommendations.

We thank LACOE for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (213) 253-0301.

WLW:MMO:JET:DC:EB

Attachment

c: William T Fujioka, Chief Executive Officer  
Cynthia D. Banks, Director, Department of Community and Senior Services  
Donald Kenneth Shelton, Assistant Superintendent, Business Services, Los Angeles County of Education  
Public Information Office  
Audit Committee

**WORKFORCE INVESTMENT ACT PROGRAM  
LOS ANGELES COUNTY OFFICE OF EDUCATION  
FISCAL YEAR 2008-09**

**ELIGIBILITY**

**Objective**

Determine whether Los Angeles County Office of Education (LACOE or Agency) provided services to individuals that meet the eligibility requirements of the Workforce Investment Act (WIA).

**Verification**

We reviewed the case files for 15 (9%) of the 174 participants that received services from July through December 2008 for documentation to confirm their eligibility for WIA services.

**Results**

LACOE maintained appropriate documentation to support the eligibility of the 15 participants sampled.

**Recommendation**

None.

**BILLED SERVICES/CLIENT VERIFICATION**

**Objective**

Determine whether the Agency provided the services in accordance with the County contract and WIA guidelines. In addition, determine whether the participants received the billed services.

**Verification**

We reviewed the documentation contained in the case files for 15 (9%) participants that received services from July through December 2008.

**Results**

LACOE provided the services in accordance with the County contract and WIA guidelines.

**Recommendation**

None.

**PERFORMANCE OUTCOMES****Objective**

Determine whether LACOE met the planned performance outcomes as outlined in the County contract. The performance outcomes included measuring the number of participants that enrolled in the program, exited the program, completed training and/or gained employment.

**Verification**

We compared LACOE's Fiscal Year (FY) 2008-09 actual performance outcomes for the second quarter to the planned performance outcomes outlined in the FY 2008-09 County contract.

**Results**

LACOE did not meet all their FY 2008-09 second quarter planned performance outcomes outlined in the County contract. Specifically, LACOE planned to have 49 youth participants obtain employment as of December 31, 2008. However, only 26 (53%) youth participants obtained employment.

**Recommendation**

1. LACOE management ensure that planned performance outcomes are met as required by the County contract.

**CASH/REVENUE****Objective**

Determine whether cash receipts and revenue are properly recorded in the Agency's records and deposited timely in their bank account. In addition, determine whether there are adequate controls over cash, petty cash and other liquid assets.

**Verification**

We interviewed Agency personnel and reviewed financial records. We also reviewed LACOE's bank activity for August, September and October 2008.

**Results**

LACOE maintained adequate controls to ensure that revenue was properly recorded and deposited in a timely manner.

**Recommendation**

None.

**EXPENDITURES/PROCUREMENT****Objective**

Determine whether program related expenditures are allowable under the County contract, properly documented and accurately billed.

**Verification**

We interviewed Agency personnel, reviewed financial records and reviewed documentation to support 14 non-payroll expenditure transactions billed by LACOE for July and October 2008, totaling \$29,617.

**Results**

LACOE's expenditures were allowable under the County contract, properly documented and accurately billed. However, LACOE billed Community and Senior Services (CSS) \$1,511 for an out-of-town conference without obtaining prior written authorization from CSS as required by Part I, Section 9 of the County contract. Subsequent to our review, the Agency received retroactive approval for the travel expenditures.

**Recommendation**

2. LACOE management obtain prior written authorization from CSS for out-of-town travel as required by the County contract.

**ADMINISTRATIVE CONTROLS/CONTRACT COMPLIANCE****Objective**

Determine whether the Agency maintained sufficient internal controls over its business operations. In addition, determine whether the Agency is in compliance with other program and administrative requirements.

**Verification**

We interviewed Agency personnel, reviewed their policies and procedures manuals, conducted an on-site visit and tested transactions in various areas such as expenditures, payroll and personnel.

**Results**

LACOE maintained sufficient internal controls over its business operations and complied with other program and administrative requirements.

**Recommendation**

None.

**FIXED ASSETS AND EQUIPMENT****Objective**

Determine whether LACOE's fixed assets and equipment purchases made with WIA funds are used for the WIA program and are safeguarded.

**Verification**

We interviewed Agency personnel and reviewed the Agency's equipment and inventory listing. In addition, we performed an inventory and reviewed the usage of 12 items purchased with WIA funds, totaling \$19,836.

**Results**

LACOE used the equipment purchased with WIA funds for the WIA program and the assets were safeguarded.

**Recommendation**

None.

**PAYROLL AND PERSONNEL****Objective**

Determine whether payroll expenditures were appropriately charged to the WIA program. In addition, determine whether the Agency obtained criminal record clearances, verified employability and maintained current driver's licenses and proof of automobile insurances for the employees assigned to the WIA program.

**Verification**

We traced the payroll expenditures invoiced for seven employees and 11 participants totaling \$37,916 for October 2008. We also interviewed one staff member and reviewed the personnel files for seven employees assigned to the WIA program.

**Results**

LACOE appropriately charged the payroll expenditures to the WIA program. In addition, LACOE obtained criminal record clearances, verified employability and maintained current driver's licenses and proof of automobile insurances for the seven employees sampled.

**Recommendation**

None.

**COST ALLOCATION PLAN****Objective**

Determine whether LACOE's Cost Allocation Plan was prepared in compliance with the County contract and the Agency used the Plan to appropriately allocate shared program expenditures.

**Verification**

We reviewed the Cost Allocation Plan and a sample of expenditures incurred by the Agency in July and October 2008 to ensure that the expenditures were properly allocated to the Agency's programs.

**Results**

LACOE's Cost Allocation Plan was prepared in compliance with the County contract and costs were appropriately allocated.

**Recommendation**

None.

**CLOSE-OUT REVIEW****Objective**

Determine whether the Agency's FY 2007-08 final close-out invoice reconciled to the Agency's financial accounting records.

**Verification**

We traced LACOE's FY 2007-08 general ledger to the Agency's final close-out invoice for FY 2007-08. We also reviewed a sample of expenditures incurred in April and June 2008.

**Results**

LACOE's FY 2007-08 general ledger reconciled to the Agency's final close-out invoice for FY 2007-08. However, LACOE billed CSS \$2,100 in supportive services expenditures as travel expenditures. Specifically, LACOE's FY 2007-08 County contract approved budget did not include a budget for supportive services. As such, the Agency billed CSS the supportive services as travel expenditures. Subsequent to our review, LACOE obtained a retroactive budget modification from CSS.

**Recommendation**

3. LACOE management bill CSS for County contract approved expenditures only.





## Los Angeles County Office of Education

Leading Educators • Supporting Students • Serving Communities

March 24, 2009

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Ms. Wendy L. Watanabe  
Auditor-Controller  
Department of Auditor-Controller  
Countywide Contract Monitoring Division  
350 S. Figueroa Street, 8<sup>th</sup> Floor  
Los Angeles, CA 90071

Dear Ms. Watanabe:

### Community and Senior Services (CSS) Workforce Investment Act (WIA) Response to Fiscal Year 08/09 Audit Findings

In response to the audit findings for the FY08/09 WIA Audit, we have reviewed your findings, made changes where applicable, and will continue to monitor all programs to ensure compliance with all funding agency and contractual requirements.

#### 1. Performance Outcomes:

**Recommendation:** LACOE Management ensure that planned performance outcomes are met as required by the County contract. **Implemented.**

LACOE is committed to meeting all planned performance outcomes as required by the County contract.

We placed 39 of the 49 planned participants in post-secondary education or unsubsidized employment, as required by the common measures, resulting in a 79.5 placement percentage. Fifty-three percent of this placement percentage is unsubsidized employment and we are working to ensure 100 percent achievement.

#### 2. Expenditure/Procurement:

**Recommendation:** LACOE Management to obtain prior written authorization from CSS for out-of-town travel as required by the County contract. **Implemented.**

Per recommendation, we obtained CSS's written approval for the out-of-town conference and provided documentation during the exit conference. Prior written approval will be obtained in the future.

Ms. Wendy L. Watanabe,  
Auditor-Controller  
Department of Auditor-Controller  
Re: Community and Senior Services (CSS) Workforce Investment Act (WIA)  
Response to Fiscal Year 08/09 Audit Findings  
March 18, 2009  
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**3. Fiscal Year 07/08 Close-Out Review:**

**Recommendation: LACOE Management bill CSS for County contract approved expenditures only. Implemented.**

This was an allowable cost which was incorrectly classified as "travel expense" instead of "other supportive services". A budget adjustment request was subsequently submitted and approved by the funding agency (CSS) to reclassify the \$2,100 expense in line with the recommendation. Future budgets will be aligned to include all contract approved expenditures.

Sincerely,



Kingsley Udo  
Financial Operations Team Leader

KU/CF:dc  
Enclosure